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## INDEBTEDNESS OF PRINCIPAL BELLIGERENTS <sup>1</sup>

### SUMMARY

Total debts of principal belligerents, 504. — Table showing debts before the war and at its close, 505. — Expenditures, receipts from taxation, and borrowings of the United States, 507. — Great Britain, 508. — France, 510. — Italy, 514. — Russia, 516. — Germany, 519. — Austria-Hungary, 526. — Turkey, 527. — Loans to Turkey from Germany and Austria-Hungary, 529.

THE nine belligerent countries specified in the table below have accumulated, after more than four years of war, debts aggregating 236 billion dollars as compared with a total of 26 billion dollars before the beginning of the conflict. To the grand total, the allied countries contributed 170 billion dollars and the Central Powers, 66 billion dollars. Russia leads all the belligerents in the amount of indebtedness, and its obligations continue to increase daily. Inflation prevails here to a degree that is as astounding as it is deplorable. While in other erstwhile warring countries the issuing of paper money is more or less at a standstill, in Russia the government presses are kept busy night and day printing fresh credit notes. Germany follows next in order of importance, with Great Britain and France closely behind, as seen from the summary on the following page.

It must be remembered, however, that there is considerable duplication in the figures given above, the elimination of which would reduce the aggregate materially. In the amount of the national debt of Great

<sup>1</sup> Because of lack of information, Japan, Belgium and the Balkan belligerents are not discussed in this article.

# INDEBTEDNESS OF PRINCIPAL BELLIGERENTS 505

## SUMMARY OF PUBLIC DEBTS OF PRINCIPAL BELLIGERENTS<sup>1</sup> (Million dollars)

### A. *Allied Powers*

Country	Before entering the war		At most recent date		Amount of increase
	Date	Amount	Date	Amount	
Great Britain . . . . .	Aug. 1, 1914	3,458	Feb. 8, 1919	36,457	32,999
United States . . . . .	Mar. 31, 1917	1,208 <sup>2</sup>	Jan. 31, 1919	23,267	22,059
France . . . . .	July 31, 1914	6,598	Mar. 31, 1919	30,494	23,896
Italy . . . . .	June 30, 1914	2,632	Oct. 31, 1918	12,177	9,545
Russia . . . . .	Jan. 1, 1914	5,092	Jan. 1, 1919	67,362 <sup>3</sup>	62,270
Total . . . . .		18,988		169,757	150,769

### B. *Central Powers*

	Date	Amount	Date	Amount	
Germany . . . . .	Oct. 1, 1913	1,165	Jan. 1, 1919	38,531	37,366
Austria . . . . .	Aug. 1, 1914	3,277	Oct. 31, 1918	17,072	13,795
Hungary . . . . .	Aug. 1, 1914	1,989	Oct. 31, 1918	8,707	6,718
Turkey . . . . .	Mar. 31, 1914	667	Dec. 31, 1918	1,823	1,156
Total . . . . .		7,098		66,133	59,035
Grand total . . . . .		26,086		235,890	209,804

Britain there are included loans to Allies and Dominions amounting to £1,683.5 millions on November 12, 1918, or approximately 8,193 million dollars. France had outstanding on March 7, 1918, 3,225 million francs or 622 million dollars, loaned to allied nations. The obligations of the Allies to the United States totaled 7,975 million dollars on January 31, 1919.<sup>4</sup> The extent of

<sup>1</sup> Unless otherwise indicated, the sources of the data presented in this table are identical with those furnished in the text proper. The rates of conversion into dollars are as follows: 1 lira or franc = 19.3 cents; 1 mark = 23.8 cents; 1 pound = \$4.8665; 1 ruble = 51.5 cents; 1 Austrian crown = 20.3 cents; 1 Turkish pound = \$4.40.

<sup>2</sup> Financial Statement of the United States, March 31, 1917.

<sup>3</sup> Inclusive of 50 billion rubles, conservatively estimated as the amount of paper money put into circulation by the Bolsheviks. Cf. *L'Economiste Européen*, October 18, 1918, p. 251. A recent statement by the Omsk government placed the circulation at the present time at 70 billion rubles. Cf. *New York Times*, April 19, 1919.

<sup>4</sup> The credits opened by the United States to its allies (i.e., the amounts not actually expended but upon which the latter can draw) totaled \$9,036,269,000 on March 27, 1919.

financial assistance rendered to Bulgaria by Germany and Austria-Hungary is not known, altho it may be safely said that the great bulk of the former's expenditures has been met by loans from the latter two countries. Turkey's indebtedness is largely included in the estimate of its two principal allies for the loans of Austria-Hungary and Germany totaled £r 207 millions by the end of 1917, or 909 million dollars. Consequently great caution must be exercised in the use of figures appertaining to the net debt of belligerent nations.

Another note of warning must be sounded. The total cost of the war to these countries is by no means accurately reflected in the data presented in this table, even after due allowance is made for duplication as specified above. Even were it possible to translate the loss of lives into dollars and to evaluate all the damages and injuries caused by the war, our estimate would fall short of the truth. Increased and new taxation, the burden of which neutrals as well as belligerents had to bear during the war and will be forced to carry for decades to come, is one factor that may be lost sight of upon a superficial study of this table. The inflation resulting from the huge credit operations on government account and the increase in fiduciary circulation, has contributed in no small degree to the war's toll, and to the misery and suffering of the forces behind the firing lines.<sup>1</sup> Finally, one must reckon with the effects of the world war on the public indebtedness of neutral countries. The interruptions in the flow of commerce, seriously reducing the basis for taxation, increased expenditures accompanying mobilization, and observation

<sup>1</sup> In a subsequent article, the writer intends to treat briefly of the fiduciary element in public finance during the war. Some information as to the banking situation at the end of 1917 may be gleaned from an article on which the writer was engaged, appearing in the *Federal Reserve Bulletin*, April, 1918, pp. 267 et seq.

and maintenance of neutrality guarantees, and the rising costs of conducting the affairs of state have all forced neutral countries to resort to borrowing on a scale that is not usually appreciated.<sup>1</sup>

### UNITED STATES

The total disbursements from March 1, 1917, to January 31, 1919, were \$26,620,334,804, of which \$7,975,267,248 represented loans to foreign governments. During the same period, the receipts, exclusive of the public debt, totaled \$6,117,762,295.<sup>2</sup> To this total, receipts from customs duties contributed \$357,574,899 and the internal revenue, \$5,132,205,822. The ratio of revenue from taxation to total disbursements is therefore 23.0 for the entire period of the war to January 31, 1919, and the ratio of revenue from taxation to net disbursements, excluding loans to foreign governments, is 29.8.

The gross public debt had on January 31, 1919, reached a total of \$23,267,039,032, distributed as follows: bonds, Liberty and others, \$17,457,365,040; treasury certificates of indebtedness, \$4,798,064,800; and war savings certificates, \$1,011,609,242. The pre-war debt had been reduced to \$1,192,444,102 by December 31, 1918.<sup>3</sup>

The results of the four internal loans are indicative of the state of prosperity that existed in this country throughout the period of the war and point to the prodigious financial strength that had lain stored away, only to be mustered up as time and occasion demanded it. The first loan was for \$1,989,447,389; the second

<sup>1</sup> A study of the effect of the war on the indebtedness of neutral countries was made by the writer and published in the Federal Reserve Bulletin, May, 1918.

<sup>2</sup> Taken from a statement prepared by Secretary Glass for the House Ways and Means Committee. New York Times, February 12, 1919.

<sup>3</sup> Financial Statement of U. S. Treasury, December 31, 1918.

for \$3,807,864,349; the third for \$3,793,780,647; and the fourth for \$6,989,200,000.<sup>1</sup> In every case the loans were oversubscribed.

### GREAT BRITAIN

On August 1, 1914 the public debt stood at £710.5 millions; on February 8, 1919 it had reached £7491.4 millions, representing an increase of £6780.9 millions during the war.<sup>2</sup> In this amount there is, however, included advances to Allies and Dominions which totaled £1683.5 millions on November 12, 1918. The net debt on February 8, 1919 was, therefore, £5807.9 millions.

Details of the gross amount of debt are here given as follows :

(Million pounds)		Aug. 1, 1914	Feb. 8, 1919
Funded debt . . . . .		586.7	317.7
Terminable annuities . . . . .		29.6	21.9
Unfunded debt:			
3½ per cent war stock . . . . .			62.7
4 per cent war stock . . . . .			16.1
4 per cent and 5 per cent war stock . . .			2012.1
National war bonds . . . . .			1663.2
Treasury bills . . . . .	15.5	1009.0	
Exchequer bonds . . . . .	20.5	392.6	
War savings certificates . . . . .			219.6
Other debt . . . . .			1297.7
American loan . . . . .			51.4
Temporary advances . . . . .	1.0	377.2	
Total . . . . .		653.3	7442.2
Other capital liabilities . . . . .		57.2	49.2
Grand total . . . . .		710.5	7491.4

For the eight months ending March 31, 1915, the average daily expenditure was £2,050,864; in the fiscal year ending March 31, 1916, £4,271,666; in the fiscal

<sup>1</sup> Financial Statement of U. S. Treasury, December 31, 1918.

<sup>2</sup> London Economist, February 15, 1919, p. 206.

year 1917, £6,022,227; in the fiscal year 1918, £7,386,908 and for the period, April 1, 1918 to December 31, 1918, £7,454,522. At times during 1917, the rise in expenditures was very marked and caused considerable concern when the liberal estimates of the Chancellor of the Exchequer were being continually outdistanced. From April 1, 1917 to May 5, 1917, the daily average was £7,971,000 and from May 6, 1917 to June 9, 1917, it was £7,532,000. A period of recession then set in until expenditures fell to £6,414,000 during the sixty-three days between June 9, 1917 and September 29, 1917. From September 30 to December 1, 1917 a rising tendency was again observable, the average being £6,774,000, and from the latter date to January 19, 1918, the daily expenditures rose to £7,517,000.<sup>1</sup>

For years prior to the outbreak of the war the Treasury showed a surplus of receipts over expenditures. This state of affairs was not maintained during the war but a serious attempt was made to defray a comparatively large proportion of expenses out of revenue. The rates of the income tax were raised in 1915 and again in 1916. Excise and customs duties were increased considerably and a munitions levy was imposed. Finally, in 1916 an excess profits duty was enacted, the fiscal effects of which were not materially felt until 1917.

The first year of the war saw a reduction in the ratio of net receipts from taxation to total expenditures, from 82.6 of the year preceding to 33.9. The following year witnessed a still further decline to 18.7, owing to the enormous increase in expenditures and slow adjustment of revenue. In 1917, the excess profits duty became an important factor in bringing about a rise of 4.8 in the ratio.

<sup>1</sup> Parliamentary Debates, June 25, July 24, December 12, 1917, and January 23, 1918.

The outstanding feature is that from August 1, 1914 to February 8, 1919, Great Britain has defrayed 23.0 per cent of her expenditures by taxation and 26.5 per cent by general revenue receipts (including posts, telegraphs, etc.). Were advances to Allies and Dominions deducted (which are classified as expenditures), it would be found that the ratio of tax receipts to disbursements is 28.1 and the ratio of general revenue to disbursements, 32.4. Details for the last seven years follow:

REVENUES AND EXPENDITURES OF GREAT BRITAIN<sup>1</sup>  
(Thousand pounds)

Year ending March 31	Net receipts from taxation	Total revenue receipts of exchequer	Total expenditures	Ratio of net receipts from taxation to total expenditures	Ratio of total revenue receipts of exchequer to total expenditures
1913.....	154,854	188,802	188,622	82.1	100.1
1914.....	163,035	198,243	197,493	82.6	100.4
1915.....	190,054	226,694	560,474	33.9	40.4
1916.....	290,873	336,767	1,559,158	18.7	21.6
1917.....	516,276	573,428	2,198,113	23.5	26.1
1918.....	613,040 <sup>2</sup>	707,235	2,696,221	22.7	26.2
April 1, 1918 to Feb. 8, 1919.....	573,118 <sup>2</sup>	654,048	2,268,430	25.3	28.8
August 1, 1914 to Feb. 8, 1919.....	2,120,010 <sup>3</sup>	2,443,236	9,220,282	23.0	26.5

## FRANCE

In December, 1917, M. Klotz, Minister of Finance, stated that a deficit of 1,266,500,000 francs was impending in the ordinary budget for 1918, and to meet this exigency, he made five suggestions: (1) a supple-

<sup>1</sup> Compiled from Statesman's Yearbook, 1918; Sixtieth Report of His Majesty's Inland Revenue, 1917; and London Economist, February 15, 1919.

<sup>2</sup> Exchequer receipts from taxation.

<sup>3</sup> Includes eight-twelfths of the 1915 figure. Inasmuch as the fiscal changes during the first eight months of the war were comparatively unimportant, this method of computation was used.



mentary tax on excess profits, the rate to be 25 per cent if the profits remaining after payment of the original tax ranges from one to five million francs, and 50 per cent if the remainder exceeds five millions; (2) upward revision of the tax on inheritances and gifts; (3) new taxes on luxuries and expenditures; (4) revision of the tax on the shares of corporations; and (5) changes in administrative methods with a view of preventing fiscal frauds. These proposals were designed to yield 1,266,500,000 francs as additional revenue for 1918 and 1,774,000,000 francs annually thereafter.<sup>1</sup>

The recommendations of M. Klotz were not, however, followed out in full detail, altho the principle that the impending deficit should not be covered by credit operations was upheld. January 1, 1918 marked the introduction of the new measures as finally decided upon. First, the war profits tax was made applicable to sums of 100,000 francs or less, at the rate of 50 per cent. Progression was provided for when profits subject to the tax exceeded 100,000 francs, the maximum rate being 80 per cent. Second, a tax of 10 per cent *ad valorem* was levied on articles of luxury, and on expenditures in such establishments as hotels, restaurants, etc., which the departmental committee considered *de luxe*, effective April 1, 1918. Third, every payment of a sum exceeding 150 francs representing the retail sale price or the consumption of a commodity became subject to a tax of 20 centimes for every 100 francs or fraction thereof. Fourth, sundry changes were adopted relative to the tax on inheritances and gifts.<sup>2</sup>

The revenue receipts for 1916 were 5,018,343,700 francs; in 1917 they rose to 6,190,533,400 francs; and in

<sup>1</sup> M. Klotz, "Exposé des Motifs," Bulletin de Statistique et de Législation Comparée, December, 1917. The actual results for 1918 were, however, disappointing. The yield of the tax on payments was only 210 million francs as compared with the estimate of 781 millions. Cf. *L'Economiste Européen*, January 17, 1919, p. 40.

<sup>2</sup> *Journal Officiel de la République Française*, January 30, 1918.

1918, the total yield was 6,632,639,800 francs, inclusive of the new taxes above mentioned.<sup>1</sup> Revenue for normal years, as computed by the Minister of Finance, produced a total of only 4,159,122,759 francs; therefore, in 1917 the receipts were about one-half larger than those of an average year and about three-fifths larger in 1918.

Remarkable as this attempt may seem when it is recalled that during the last five months of 1914 the treasury receipts declined 38.6 per cent as compared with a normal year; in 1915, 19 per cent; and in 1916, 3.46 per cent,<sup>2</sup> the state of the French finances is by no means satisfactory. M. Ribot recently stated that the civil budget for 1919 involved an expenditure of 8.9 billion francs, exclusive of 1.1 billion francs for interest on the new loan (fourth), plus payments for damages, advances, etc., which will bring the total to about 17 billion francs.<sup>3</sup> With no new lucrative sources of revenue in sight and open dissatisfaction expressed with the luxury and income taxes, the situation is considered by some as being but short of alarming.

M. Klotz stated that in 1914, the average monthly expenditure was 1,318 million francs; in 1915, 1,900 million francs; in 1916, 2,743 million francs; and during the first nine months of 1917, 3,360 million francs—a total of 92,546 million francs for the whole period. During the same interval the total receipts were 13,816 million francs, or 14.9 per cent of the expenditures. In the revenue figures, however, there are included the income from monopolies and domains, and if the latter is ex-

<sup>1</sup> Taken from various numbers of the *Journal Officiel de la République Française*, and *L'Economiste Européen*, January 17, 1919, p. 40 (figures for 1918 incomplete).

<sup>2</sup> "Exposé des Motifs," *op. cit.*

<sup>3</sup> *London Economist*, December 28, 1918. Recently M. Klotz announced the total of the 1920 budget as 18.5 billion francs as compared with 5.3 billion francs for a normal year. *Ibid.*, February 22, 1919, pp. 327, 328.

cluded, the ratio of taxes to expenditure is approximately 12 per cent for the first 38 months of the war.

In a more recent statement before the Chamber of Deputies, M. Klotz asserted that from August 1, 1914 to March 31, 1919, the expenditures for all purposes will have reached 192 billion francs, including 50 billion francs of exceptional expenses such as payments for war damages, pensions, etc.<sup>1</sup> The resources to that date were estimated at 158 billion francs, leaving a deficit of 34 billion francs. Of the resources only 18 billion francs represent the receipts from taxation. The ratio of receipts from taxation to total expenditures from the beginning of the war to March 31, 1919 is, therefore, only 9.4.

The results of the four internal loans are as follows: <sup>2</sup>

Year	Rate of interest	Price of issue	Nominal subscriptions (million francs)	Actual proceeds (million francs)
1915	5	87.25	15,205	13,308
1916	5	87.50	11,514	10,082
1917	4	68.60	14,803	10,171
1918	4	70.80	27,853	19,720
Total			69,375	53,281

On July 1, 1914, the national debt of France was 34,188,147,969 francs, and the annual interest charges, 1,037,614,906 francs. On December 31, 1917, the former stood at 124,338,457,479 francs, and the latter at 5,216,617,058 francs. Of the total outstanding December 31, 1917, 20,441,545,000 francs were held outside of France and 44,822,153,800 francs, or approximately one-third of the total debt, had not been funded as yet.<sup>3</sup>

<sup>1</sup> London Economist, February 22, 1919, pp. 327-328.

<sup>2</sup> Ibid., December 7, 1918. A fifth loan, called "Loan of National Restoration," to be issued at 95 and bearing interest at 5 per cent was announced in the Journal Officiel, March 23, 1919. The amount of the loan has not been fixed as yet. Cf. also Le Monde Economique, December 7, 1918, p. 779.

<sup>3</sup> Bulletin de Statistique et de Législation Comparée, October, 1918, p. 602.

On August 31, 1918, the national debt of France was estimated (unofficially) at 130,127 million francs, consisting of the following: consolidated debt, 32,187; national defense treasury bills, 26,453; short-term bonds, 679; advances of the Bank of France and the Bank of Algiers, 19,415; credits of foreign countries, 25,678; pre-war debt, 25,715.<sup>1</sup> If to this sum there is added the fourth loan of 27,853 million francs, the debt at the end of 1918 may be placed at 157,710 million francs.<sup>2</sup>

### ITALY

The official estimate of war expenditures from August 1, 1914 to October 31, 1918, is as follows: <sup>3</sup>

	Million lire
Aug. 1, 1914 to June 30, 1915.....	3,039.2
Fiscal year ending June 30, 1916.....	8,351.5
Fiscal year ending June 30, 1917.....	14,132.2
Fiscal year ending June 30, 1918.....	19,734.6
July 1, 1918 to Oct. 31, 1918.....	9,725.6
Total.....	51,983.1
Various deductions.....	984.6
Balance.....	50,988.5
Add payments to be made in foreign countries and interest paid upon war debts by Treasury.....	11,620.5
Total payments relating to war.....	62,619.0
Deduct military expenditures which would have been incurred, had peace prevailed.....	3,545.7
Net war expenditure.....	59,073.3

<sup>1</sup> *L'Economiste Européen*, October 4, 1918, pp. 212-213, Edmond Théry.

<sup>2</sup> M. Ribot estimated it at 170 billion francs. *London Economist*, December 28, 1918. The estimate in the text coincides roughly with the figures presented by M. Klotz as of March 31, 1919.

<sup>3</sup> *Ibid.*, February 1, 1919, pp. 135-136.

The public debt stood at 63,093 million lire on October 31, 1918, composed of the following:<sup>1</sup>

Old debt . . . . .	13,636
War debt:	
First loan, 4½ per cent, issued July, 1915, redeemable between 1925 and 1940	4,628
Second loan, 5 per cent, issued Jan.-March, 1916, redeemable between 1925 and 1940	
Third loan, 5 per cent, issued Feb., 1917, not redeemable before 1931	
Fourth war loan, 5 per cent, issued Feb., 1918.	3,986
Fifth war loan . . . . .	6,123
	<hr/>
Total internal loans . . . . .	14,737
Treasury bonds, 5 per cent (3 to 5 years) . . . .	3,052
Exchequer bills, from 3 to 12 months . . . . .	9,240
Treasury bonds, discounted by British and American governments and credits opened by same . . . . .	13,851
Notes, issued by banks of issue for government account . . . . .	6,536
Notes, issued by government . . . . .	2,041
	<hr/>
Total war debt . . . . .	49,457
	<hr/>
Grand total, Oct. 31, 1918 . . . . .	63,093

M. Nitti, Minister of Finance, recently stated that the actual deficit for the financial year 1917-18 was 6,271 million lire. Expenditures totaled 25,239 million lire of which 18,580 were for war purposes. Against this amount there were revenue receipts, 7,496 million lire, and proceeds from loans, 11,529 millions.<sup>2</sup> The budget for 1918-19 provided for receipts at 4,419 millions and ordinary expenditures at 4,207 millions,<sup>3</sup> as against

<sup>1</sup> Bankverein Suisse, February, 1917; Statesman's Yearbook, 1917; and London Economist, December 28, 1918.

<sup>2</sup> L'Economiste Européen, December 6, 1918, p. 363; Revue Financière et Economique d'Italie, October 31, 1918, p. 276.

<sup>3</sup> Bulletin de Statistique et de Législation Comparée, February, 1918, "Exposé Financier de M. Francesco Nitti, Ministre du Trésor, December 19, 1917," pp. 265-321.

4,855 millions and 5,515 millions, respectively, in the 1919-20 budget.<sup>1</sup>

A war profits tax, retroactive in character to the beginning of the war, was recently introduced.<sup>2</sup> New or accrued profits in excess of the ordinary amount subject to the income tax during the two years, 1913 and 1914, comprise the base of the war profits tax. All recipients are divided into two classes: Class A, persons engaged in industrial, commercial and mercantile pursuits, and Class B, middlemen (Fr. *intermédiaires*). For Class A, the rates vary from 12 per cent of the profits above 8 per cent to 10 per cent of the capital, to 35 per cent on profits exceeding 20 per cent of the capital employed, during the period August 31, 1914 to December 31, 1915. For the periods subsequent to December 31, 1915 the minimum rate is 20 per cent and the maximum 60 per cent. Those falling in Class B are taxed during the earlier period at the rate of 5 per cent on profits ranging from one-tenth to one-half of the basic figure, up to 35 per cent if the profits are triple the amount ordinarily accumulated. The minimum and maximum rates for periods subsequent to December 31, 1915, are 10 per cent and 40 per cent, respectively.

## RUSSIA

The discussion of the fiscal situation of Russia falls into two periods: (1) from the beginning of the war to October 14/27, 1917, when the Kerensky régime was overthrown; and (2) the period following the Bolshevik *coup d'état*.

From August 1, 1914 to the end of the year, the expenditures amounted to 2,546 million rubles; in 1915, they were 9,374.9 millions; 1916, 15,267 millions; and

<sup>1</sup> London Economist, December 21, 1918.

<sup>2</sup> Bulletin de Statistique et de Législation Comparée, May 1918, pp. 958, 959.

from January 1, 1917 to September 1, 1917, 14,204.8 millions; making a grand total of 42,392.7 million rubles. In October, 1917, the Minister of Finance stated that the total cost of the war would reach 51,470 million rubles by January 1, 1918.<sup>1</sup>

The growth of the national debt accompanying these tremendous outlays may be observed as follows: <sup>2</sup>

	Rubles
January 1, 1914.....	9,888,309,698
January 1, 1915.....	10,473,572,000
January 1, 1916.....	18,876,731,000
January 1, 1917.....	25,220,937,000
September 1, 1917.....	49,287,809,698

In the eight months of 1917 preceding the collapse of the Kerensky government, the public debt practically doubled, the total consisting of foreign loans, 8,461 million rubles; short-term obligations, 16,918.7 millions; internal loans, 11,408.2 millions; deficits incurred during the last three budget years, 2,611.6; and the pre-war debt of 9,888 millions.

Advances of the Bank of Russia to the Russian government played an important rôle in financing the war. On December 16/29, 1914, they totaled 1,016.9 million rubles; on December 16/29, 1915, 5,304.6 millions; on the same date of the following year, 8,591.2 millions and on October 16/29, 1917, they reached 18,362.2 million rubles.<sup>3</sup> During the same interval the notes in circulation rose from 2,864 million to 16,519 million rubles.

The internal war loans yielding 11,408.2 million rubles were made up as follows: <sup>4</sup>

<sup>1</sup> *Viestnik Finansov*, No. 39, October 14, 1917, pp. 369 et seq.

<sup>2</sup> *Ibid.*

<sup>3</sup> From the weekly statements of the Imperial Bank of Russia and the weekly reports contained in the *London Economist*.

<sup>4</sup> Taken from *Statesman's Yearbook*, 1917, Introduction (£ converted into rubles at 9.45685); also *Le Rentier*, October 17, 1917; and *L'Economiste Européen*, December 14, 1917, p. 380.

	Million rubles
State loan of 1914, 5 per cent, issued Oct., 1914, at 94 . . . .	500
First loan of 1915, 5 per cent, issued Feb., 1915, at 94. . . .	500
Second loan of 1915, 5½ per cent, issued April, 1915, at 99. .	1,000
Short-term loan of 1915, 5½ per cent, issued Oct., 1915, at 95	1,000
First loan of 1916, 5½ per cent, issued Feb., 1916, at 95. . .	2,000
Second loan of 1916, 5½ per cent, issued Oct., 1916, at 95. . .	3,000
<hr/>	
Total, to end of 1916. . . . .	8,000
Liberty loan of 1917, 5 per cent (computed) <sup>1</sup> . . . . .	3,408
<hr/>	
Grand total. . . . .	11,408

The finances during the second period when the Bolsheviks assumed control can at best be inadequately described. Little reliable data are available, upon which conclusions may be based. The official Bolshevik organ, *Izvestia*, places the national debt on January 1/14, 1918, at 80,800 million rubles, composed as follows:<sup>2</sup> external loans, 15,800 million rubles; direct internal debt (of every description and character), 44,000; indirect interior debt, 4,800; "coupons" not presented and miscellaneous obligations, 15,200 millions.

A tax on capital, similar to the German "Kapitalsteuer" and designed to yield 10 billion rubles, was levied on the "bourgeoisie" during the latter part of 1918. In some provinces the yield was only one ten-thousandth of the estimate, and the results in general were so disappointing that it was considered "hardly worth entering in the budget as a separate item."<sup>3</sup> Likewise the tax in kind on richer peasants which was supposed to produce 7 billion rubles in foodstuffs has proved to be negligible in its results. The taxation authorities in the provinces of Orel, Kaluga and Tula reported that they were unable to collect the tax.<sup>3</sup>

<sup>1</sup> Represents the difference between the aggregate internal loans as stated by the Minister of Finance and the total of the preceding items.

<sup>2</sup> *L'Economiste Européen*, May 10, 1918, p. 299.

<sup>3</sup> *London Economist*, March 1, 1919, pp. 367, 368; *Journal des Economistes*, February 15, 1919, article by A. Raffalovich, "Finances bolcheviques en 1918," pp. 249-252.



Further light is shed on Bolshevik fiscal policies by the following summary representing budgetary estimates for 1918 and giving final results for 1917 (in thousand rubles):<sup>1</sup>

	Year 1917	First half 1918	Second half 1918
Expenditures:			
Ordinary . . . . .	13,196,137	13,038,511	26,276,199
Extraordinary . . . . .	14,675,131	4,564,216	2,797,995
	<hr/>	<hr/>	<hr/>
Total . . . . .	27,871,268	17,602,727	29,074,194
Revenues . . . . .	.....	2,852,727	12,730,194
		<hr/>	<hr/>
Deficit . . . . .	.....	14,750,000	16,344,000

The fall in values consequent upon tremendously large issues of paper money reflects itself in the government budget of expenditures. This fact coupled with the new social policy on which the government is embarking, involving a prodigious outlay, explains the wide disparity between receipts and expenditures. Whereas the figures presented above by M. Krestinsky, Minister of Finance, are more or less true estimates as to the outgo, the income has been in all probability greatly overestimated. Witness the fact that the actual revenue for the first half of 1918 was only 539.6 million rubles, altho undue optimism produced an estimate of 2,852.7 million rubles, or nearly five times as much as was actually collected! Credit notes are issued to wipe out the deficit.

## GERMANY

The financial policy of Germany stands in distinct contrast to that adopted by the allied countries. The outstanding feature of German war finance is the reliance placed on loans and advances to defray the

<sup>1</sup> London Economist, January 25, 1919, pp. 103, 104.

prodigious expenses incurred since the beginning of the war. The theory that a reasonable share of war expenditures should be met by increased taxation had found no strong adherents in the statesmen and financiers of Germany until recently, and consequently not only have expenses directly incidental to war not been covered by revenue at all but even debt charges and other items of the ordinary civil budget have been met from the proceeds of loans.

There are two reasons of weight that have in all probability operated to keep this policy strongly intrenched. First, the lack of elasticity in sources of revenue has been an almost insurmountable obstacle to the imperial government. According to an understanding reached by the Empire and the individual states, the former reserved for itself primarily the field of indirect taxation and permitted the individual states to exploit the remaining sources. With the outbreak of the war, imperial revenues declined because commerce with Germany was interrupted, and import duties and stamp taxes which constituted important items in the budget fell off considerably. Gradually this condition became more and more accentuated until it was decided to raise the rates of the tax on beer, tobacco, etc., to cover part of the ever-increasing deficit in the ordinary budget. This relief was, however, ephemeral in nature, since the expansion of military operations and the inflation process set in motion by heavy borrowings caused expenditures to soar to prodigious heights, beyond all reasonable calculation.

Meanwhile, the war also imposed additional burdens on the individual state governments and their war obligations became heavy. Existing sources of revenue were used to aid in meeting these expenses. Prussia, for example, increased the rates of the income tax, ranging

from 115 to 260 per cent of normal in respect to corporations and from 108 to 200 per cent of normal in respect to individuals, and the supplementary tax was increased by 50 per cent.<sup>1</sup> Bavaria and Württemberg advanced the rates of all direct taxes by 30 per cent; Saxony, from 10 to 30 per cent in the case of the income tax, and Baden, 25 per cent in some grades. Hesse increased the income tax rates by 27 per cent and the property tax rates by 82 per cent.<sup>2</sup>

Late in 1916, however, the imperial government found no alternative but to invade the territory heretofore reserved for the states, if it wished to maintain some semblance of meeting its interest charges out of current revenue. A direct tax was introduced, designed to reach the increment in the value of property of every description, in the years 1915 and 1916, and estimated to yield 1300 million marks. Tobacco duties and postal and telegraph rates were increased and new stamp duties were put into force. The total yield was estimated at 1950 million marks. Again, in 1917, some of the existing stamp taxes were advanced further and a coal tax of 20 per cent *ad valorem* (10 per cent for domestic consumers) was levied, effective until July 31, 1920. The property tax rates were also increased by 20 per cent and the total receipts from the new taxes were estimated at 1250 million marks, making a total of 2550 million marks of war taxation during the year.

In spite of the large income anticipated from the new taxes, a deficit of 86 million marks was foreseen in the

<sup>1</sup> Prussia which had no debt to speak of prior to the war, due to the large profits obtained from the operation of government-owned railroads, had accumulated a debt of approximately \$1,450,000,000 by the end of March, 1919. The total war deficit to that date was \$582,000,000. New York Times, April 8, 1919.

<sup>2</sup> F. W. Zimmerman, Bank Archiv, August, 1917. The "defence" levy imposed in 1913 was not collected until early in the war. It amounted to 966,845,100 marks or 14.89 marks per capita, to which Prussia alone contributed 593,719,400 marks or about 61 per cent. Cf. London Economist, July 27, 1918, p. 111.

## SUBSCRIPTIONS TO GERMAN WAR LOANS<sup>1, 2</sup>

(Amounts in million marks)

SUBSCRIPTIONS	FIRST LOAN (Sept. 10-19, 1914)			SECOND LOAN (Feb. 27-Mar. 15, 1915)			THIRD LOAN (Sept. 4-22, 1915)			FOURTH LOAN Mar. 4-22, 1916)			
	No. of sub.	%	Amt.	%	Amt.	No. of sub.	%	Amt.	%	No. of sub.	%	Amt.	%
1. Up to 200 marks .....	231,112	18.2	36	0.9	16.8	71	0.8	130	1.1	2,406,118	45.5	201	1.9
2. 300 to 500. ....	241,804	19.1	111	2.5	581,470	25.4	2.8	369	3.1	967,929	18.2	407	3.8
3. 600 to 1,000. ....	543,143	42.9	587	13.1	660,776	24.5	6.7	844	7.0	885,941	16.7	794	7.4
4. 1,100 to 2,000. ....		418,861	15.6		733	8.1	530,176	13.4	928	7.7	468,724	8.9	792
5. 2,100 to 5,000. ....	157,591	12.4	579	13.0	361,459	13.4	14.9	1563	12.9	347,725	6.6	1247	11.6
6. 5,100 to 10,000. ....	56,438	4.5	450	10.1	130,903	4.9	10.7	1202	9.9	113,927	2.2	907	8.5
7. 10,100 to 20,000. ....	19,913	1.6	307	6.7	46,105	1.7	7.45	858	7.1	42,158	1.0	666	6.2
8. 20,100 to 50,000. ....	11,584	0.9	410	9.2	26,407	1.0	9.26	1167	9.6	30,361	0.6	980	9.1
9. 50,100 to 100,000. ....	3,629	0.3	315	7.2	7,742	0.3	6.48	850	7.0	9,100	0.2	734	6.9
10. 100,100 to 500,000. ....	2,050	0.1	509	11.4	4,361	0.2	10.66	1766	14.6	6,308	0.1	1531	14.3
11. 500,100 to 1,000,000. ....	361	..	287	6.4	538	..	4.9	695	5.7	780	..	641	6.0
12. Over 1,000,000. ....	210	..	869	19.5	325	..	12.8	1729	14.3	574	..	1812	16.9
Total. ....	1,267,235	100.0	4460	100.0	2,691,060	100.0	9080	12,101	100.0	5,279,645	100.0	10,712	100.0
Final results, including subscriptions from abroad and battle field	....	..	4480	..	....	..	9106	12,162	..	....	..	10,767	..
Details:	In two forms, viz.: (a) 44 per cent treasury bills at 95 due July 1, 1932; and (b) 5 per cent loan at 98½, redeemable after Oct. 1, 1924.												

SUBSCRIPTIONS	FIFTH LOAN <sup>1</sup> (Sept. 4-Oct. 5, 1916)				SIXTH LOAN <sup>2</sup> (Mar. 15-April 16, 1917)				SEVENTH LOAN <sup>3</sup> (Sept. 19-Oct. 18, 1917)			
	No. of sub.	%	Amt.	%	No. of sub.	%	Amt.	%	No. of sub.	%	Amt.	%
1. Up to 200 marks	1,794,084	47.1	154	1.4					3,233,472	61.9	208	1.6
2. 300 to 500	681,027	17.9	293	2.8					693,729	13.2	295	2.4
3. 600 to 1,000	605,594	15.9	552	5.2					586,623	11.6	531	4.3
4. 1,100 to 2,000	301,863	7.9	520	4.9					264,871	5.1	461	3.7
5. 2,100 to 5,000	245,873	6.5	911	8.5					233,542	4.5	868	7.0
6. 5,100 to 10,000	93,189	2.4	763	7.2					100,781	1.9	818	6.6
7. 10,100 to 20,000	40,571	1.1	651	6.1					42,732	0.8	697	5.6
8. 20,100 to 50,000	28,500	0.7	982	9.2					33,914	0.6	1189	9.5
9. 50,100 to 100,000	9,748	0.3	810	7.6					12,169	0.2	1024	8.2
10. 100,100 to 500,000	7,870	0.2	1710	16.1					9,145	0.2	2092	16.8
11. 500,100 to 1,000,000	1,032	..	853	8.0					1,363	..	1130	9.1
12. Over 1,000,000	725	..	2448	23.0					1,032	..	3145	25.2
Total	3,809,976	100.0	10647	100.0					5,213,373	100.0	12458	100.0
Final results including subscriptions from abroad and battle-field	....	..	10699	..					....	..	12626	..
Details:	In two forms, viz.: (a) 4½ per cent treasury bills at 95, due between 1923 and 1932; and (b) 5 per cent loan at 98, not redeemable before Oct. 1, 1924.				In two forms, both at 98: (a) 4½ per cent bond, redeemable in drawings at 110 to 120; and (b) 5 per cent bonds, not redeemable before Oct. 1, 1924.				Details same as sixth loan.			

<sup>1</sup> Sources: Reports of the Reichsbank, 1915 and 1916; Berliner Tageblatt, December 23, 1917; Frankfurter Zeitung, September 6, 1917; and London Economist, May 19, 1917.

<sup>2</sup> Full details not available in this country, as far as can be ascertained. Approximate figures as herein given are taken from Revue d'Economie Politique, Janvier-Février, 1918, article by Charles Rist, p. 39. The total is the one officially announced.

<sup>3</sup> In addition to the seven war loans shown in this table, two further loans were issued, the full details of which have not been made public. The subscriptions to the 8th loan amounted to 14,500,000,000 m. (according to L'Economiste Européen, April, 26, 1918, p. 270) and the 9th loan, 10,433,959,700 m. (London Economist, December 14, 1918). The number of subscribers to the last loan was 2,717,657, of whom 2,297,143 subscribed for 1000 marks or less (ibid.). Savings banks contributed 3,302 million marks and other banks and bankers, 5,349 millions (L'Economiste Européen, December 13, 1918).

civil budget for the fiscal year 1918. The sphere of taxation, altho expanded on these occasions, was necessarily too restricted for the needs of the imperial government.<sup>1</sup>

The second reason for the delay in setting up a sound policy of war financing was that from the beginning of the conflict up to the time that a change in the fortunes of war took place, German statesmen entertained the hope of speedily gaining a decisive victory over their adversaries, crushing one or more of them completely and exacting heavy indemnities. German militarists considered it highly probable that they could force their vanquished enemies to bear the burdens of war and consequently hesitancy was displayed on the part of the imperial government in revising its financial policies. This illusion was gradually dispelled by the turn of events and facing the alternative of incurring heavier and heavier deficits, the only expedient of increasing the revenue from taxation was followed. The tide was not, however, stemmed to any large degree.

The results of the first seven war loans are here given. While the boast of German officialdom that war loans had become increasingly popular may be justified by a glance at the number of subscribers in each class, a study of the amounts subscribed seems clearly to indicate that the contrary is true. The ratio which subscriptions of a million marks or more bore to the total was 19.5 in the case of the first loan, dropping to 12.8 in the second and rising thereafter until in the seventh loan it amounted to 25.2. In every case, the number of these

<sup>1</sup> For the fiscal year 1919, the rates of the imperial income tax as proposed vary from 5 per cent on the first 10,000 marks to 50 per cent on the excess above 200,000 marks and the rates of the war tax on property, from 1 per cent on the first 200,000 marks to 5 per cent on a million marks and above. *L'Economiste Européen*, July 12, 1918, p. 29.

subscriptions was practically negligible. Subscriptions of 100,000–500,000 marks rose from 37.3 per cent in the first loan to 51.1 per cent in the seventh loan, while at the same time the amount of subscriptions of 2000 marks or less, comprising 91.8 per cent of the total number of subscribers in the last loan, fell from 16.5 per cent in the first to 12.0 per cent in the seventh war loan. The first seven classes all show declines, altho the decreases are neither alike nor continuous in every instance. The greatest per cent of increase in the amounts subscribed is exhibited by the last class, embracing subscriptions of a million marks or more, and following closely are subscriptions between 100,000 and 500,000 marks. All these facts point to the conclusion, therefore, that greater and greater reliance was being placed upon banking credit and that popular subscriptions, altho increasing in number, were contributing progressively less and less to the total.

The sum of 139 billion marks was voted by the Reichstag up to July, 1918. In October, 1918, the government stood in need of more funds and requested 15 billion more. This amount was refused and the government resorted to note issues as a result.

According to a speech recently made by Dr. Schiffer,<sup>1</sup> erstwhile Minister of Finance, the daily expenditure during the war rose from 49 millions in 1914 to 135 millions in 1918. The yearly expenditures were as follows (in billions of marks): 1914, 7.5; 1915, 23; 1916, 26.6; 1917, 39.5; 1918, 48.5. In addition credits were opened by Germany to her allies to the extent of 9.5 billions, and treasury bonds were issued to the extent of 6 billions, making a total war expenditure of 160.6 billion marks. If to this amount, there is added the pre-war

<sup>1</sup> New York Times, February 18, 1919.

debt, as of October 1, 1913, 4,897 million marks,<sup>1</sup> the present indebtedness of the German Empire may be put roughly at 165 billion marks.<sup>2</sup>

### AUSTRIA-HUNGARY<sup>3</sup>

The expenditures of Austria alone for civil and war purposes were 10,706 million crowns in the fiscal year ending June 30, 1915; 15,726 millions in 1916; 18,788 millions in 1917; and 22,170 millions and 24,321 millions, as estimated in the 1918 and 1919 budgets, respectively.<sup>4</sup> The declaration of the armistice and consequent demobilization will in all probability greatly reduce the latter figure.

The Budgetary Committee of the Reichsrat estimated for the year 1917 the ordinary revenue to produce 3,890 million crowns and extraordinary taxation 304 millions, a total of 4,194 millions or 18.9 per cent of the expenditures.<sup>5</sup> In the 1919 estimates the revenue is placed at 4,885 million crowns or 20.1 per cent of the disbursements. These deficits are covered partly by advances from the Austro-Hungarian Bank and partly by inter-

<sup>1</sup> Statistisches Jahrbuch für das deutsche Reich, 1915, p. 359. This figure may be taken as indicating the maximum state of the debt during the period, October 1, 1913, and the beginning of the war, since the tendency had been to reduce the amount outstanding during the few years prior to October 1, 1913.

<sup>2</sup> This estimate coincides roughly with that of Sir Edward Holden, London Economist, February 1, 1919, pp. 142 et seq. Under date of March 27, 1919, the New York Times published a statement made by Dr. Schiffer at Weimar to the effect that total war expenditures to the end of 1918 were 186 billion marks, and revenues 17 billion marks or 9.1 per cent of the former. The war debt was placed at 157 billion marks and the interest on the debt, at 7.9 billion marks. Annual expenditures for the future were estimated at 14 billion marks as against 2.4 billion marks before the war.

<sup>3</sup> German Austria has recently adopted a budget for the period November 1, 1918 to June 30, 1919. A loan of 500 million crowns was issued, consisting of 4 per cent treasury bonds payable within two and one-half years. The issue price was 97 if payment was made in specie, and 99, if one-fourth of the amount subscribed for was paid in Austrian war bonds and the remainder in specie. Cf. *L'Economiste Européen*, December 13, 1918, p. 383.

<sup>4</sup> *L'Economiste Français*, January 12, 1918, p. 36.

<sup>5</sup> *Neue Freie Presse*, September 26, 1917.



nal loans. Practically every source of revenue has been tapped to the maximum limit.

Expenditures for purely military purposes totaled 38,636 million crowns for the first four years of the war, of which 6,327 millions were made in 1915; 9,513 in 1916; 11,453 in 1917; and 11,343 millions in 1918.<sup>1</sup>

The war debt of Austria on May 24, 1918 was 57,052 million crowns, as given by the Reporter on the National Debt to the Austrian Budget Commission.<sup>2</sup> Of this amount 16,209 represented advances of the Austro-Hungarian Bank; 29,275, proceeds of internal loans (less conversions); 16,209, advances of Austrian banks; and 3,234, advances of German banks. On October 31, 1918, the total public debt of Austria was 84,097 million crowns, according to the Annual Report of the Austro-Hungarian Bank, of which 67,955 represented the amount resulting from the war.<sup>3</sup>

The total debt of Hungary stood at 42,891 million crowns on October 31, 1918, of which 33,091 millions were incurred during the war.<sup>4</sup> Approximately 16 billion crowns represent the net proceeds from loans, about 10 billions are due the Austro-Hungarian Bank and the remainder of the war debt consists of advances by private banks.<sup>5</sup>

## TURKEY

In normal years the national revenues varied from 25 to 30 million Turkish pounds but in 1916, owing to the continual decrease in import and export duties through the interruption of commerce receipts fell to 21 millions. The budget for 1918-19, estimated revenue at

<sup>1</sup> *L'Economiste Européen*, August 2, 1918, p. 77.

<sup>2</sup> *Ibid.*, June 7, 1918, p. 366 and *London Economist*, June 29, 1918, p. 1082.

<sup>3</sup> *L'Economiste Européen*, January 31, 1919, p. 78.

<sup>4</sup> *Ibid.*

<sup>5</sup> *London Economist*, December 28, 1918, p. 882.

WAR LOANS OF AUSTRIA-HUNGARY <sup>1</sup>

(Amounts in million crowns)

	AUSTRIA	HUNGARY
FIRST LOAN	2,201 Issued Nov., 1914 at 97 $\frac{1}{2}$ , 5 $\frac{1}{2}$ per cent, matures April 1, 1920 at par.	1,175 6 per cent loan issued Nov., 1914 at 97 $\frac{1}{2}$ , not redeemable before Nov. 1, 1920.
SECOND LOAN	2,688 Issued May, 1915 at 95 $\frac{1}{4}$ , 5 $\frac{1}{2}$ per cent, not redeemable before 1925.	1,132 6 per cent stock, issued May, 1915 at 97.5, not redeemable before 1921. 5 $\frac{1}{2}$ per cent stock at 90.8, not redeemable before 1925.
THIRD LOAN	4,203 Issued Oct., 1915 at 93.6, 5 $\frac{1}{2}$ per cent treasury bills, not redeemable before Oct. 1, 1930.	1,985 Issued Oct.-Nov., 1915 at 97.1. 6 per cent Rente not redeemable before 1921.
FOURTH LOAN	4,520 Issued May, 1916 in two forms: (a) 5 $\frac{1}{2}$ per cent treasury bills repayable at par, June, 1923 at 93. (b) 5 $\frac{1}{2}$ per cent bonds to run for 40 years, at 95.5.	2,025 Issued April-May, 1916. 6 per cent Rente at 96.7, not redeemable before Nov. 1, 1921. 5 $\frac{1}{2}$ per cent treasury bills at 91.4, not redeemable before June 1, 1926.
FIFTH LOAN	4,467 Issued Nov., 1916-Jan., 1917, in same form as preceding loan.	2,415 Issued Nov.-Dec., 1916. 6 per cent Rente at 97.2, not redeemable before 1920. 5 $\frac{1}{2}$ per cent treasury bills at 95.5, redeemable at 105 between 1922 and 1942.
SIXTH LOAN	5,189 <sup>2</sup> Issued May-June, 1917, in same form as preceding loan.	2,500 <sup>3</sup> 6 per cent Rente and 5 $\frac{1}{2}$ per cent treasury bills.
SEVENTH LOAN	Issue price 92 $\frac{1}{2}$ and 94, respectively. 6,044 <sup>2</sup> Issued Dec., 1917, in two forms: (a) 5 $\frac{1}{2}$ per cent loans at 91, redeemable at par by drawings between 1923 and 1957. (b) 5 $\frac{1}{2}$ per cent bonds at 93, redeemable at par, 1926.	3,690 <sup>3</sup> Issued Dec., 1917. 6 per cent Rente at 96.1. 5 $\frac{1}{2}$ per cent treasury bills at 91 $\frac{1}{4}$ , convertible at option of government after Aug. 1, 1922.
EIGHTH LOAN	5,763 <sup>2</sup> (a) 5 $\frac{1}{2}$ per cent treasury bonds at 95 $\frac{1}{2}$ due Sept. 1, 1924. <sup>4</sup> (b) 5 $\frac{1}{2}$ per cent Rente amortizable in 40 years at 94. <sup>4</sup>	3,860 <sup>3</sup> Issued June, 1918. 5 $\frac{1}{2}$ per cent Rente at 91 and 92, according to cash payment or installment. No date set as to redemption.
Total.....	35,075	18,782

<sup>1</sup> General sources: Statesman's Yearbook, 1917; Fremden-Blatt, December 16, 1917; Frankfurter Zeitung, October 24, 1917; Kölnische Zeitung, November 6, 1917; Neue Freie Presse, October 28, 1917; Bankverein Suisse, Bulletin No. 2, February, 1917.

<sup>2</sup> Frankfurter Zeitung, as quoted in London Economist, August 3, 1918, p. 146.

<sup>3</sup> London Economist, September 14, 1918, p. 335.

<sup>4</sup> L'Economiste Européen, May 10, 1918, p. 299.

£T 37,016,698 and expenditure at £T 51,402,327, thus leaving a deficit of £T 14,385,629 to be met by credit operations.<sup>1</sup> The budgetary deficits for the fiscal years 1917 and 1918 were £T 39,077,556 and £T 27,430,396, respectively.<sup>2</sup> Actual war expenditures have averaged about five million Turkish pounds monthly, the total being £T 180,000,000 by the end of 1917.

The subscriptions to the first Turkish internal loan disclosed a total of £T 17,977,600, of which £T 7,396,260 were raised in Constantinople and the remainder, in the provinces. This was the first and only attempt on the part of the Ottoman government to defray military expenses out of funds derived from native sources.<sup>3</sup>

The Ottoman debt may be estimated at £T 414,334,000, consisting of the following items: <sup>4</sup>

Loans from Germany, to Aug. 31, 1917.....	£T 142,000,000
Loans from Austria-Hungary.....	8,200,000
Requisitions and deferred payments.....	38,000,000
Borrowed from Germany in October, 1917..	56,500,000
First internal loan.....	17,978,000
<hr/>	
Total war debt.....	£T 262,678,000
Pre-war debt.....	151,656,000
<hr/>	
Total public debt.....	£T 414,334,000

The details of the first six issues of Turkish notes in Germany may be gleaned from articles in the *Frankfurter Zeitung*.<sup>5</sup> The first issue of £T 5,661,000 payable six months after peace is declared, is secured against a deposit of £T 3,552,000 in gold held in Germany and

<sup>1</sup> London Economist, February 23, 1918.

<sup>2</sup> Statesman's Yearbook, 1917, p. 1352.

<sup>3</sup> London Economist, September 7, 1918, p. 300.

<sup>4</sup> Nieuwe Rotterdamsche Courant, December 5, 1917 and Statesman's Yearbook, 1917. This estimate excludes a loan rumored to have been made shortly before the capitulation of Germany and reported as varying from 32 to 45 million Turkish pounds. London Economist, September 7, 1918, p. 300. On the bulk of these loans, floated outside of Turkey proper, there are no interest charges to be met.

<sup>5</sup> October 12 and 15, 1917, in particular.

£t 2,109,000 held in Austria. The second issue of £t 7,802,000 and the third issue of £t 11,700,000 are both payable one year after peace, being covered by German exchequer bonds. The fourth loan of £t 27,777,940, repayable in gold from three to seven years after the declaration of peace, was issued against German exchequer bonds and is payable from eight to eleven years after peace. The German government at the same time guaranteed that the Turkish pound would never be allowed to fall below 18.45 marks.

Although the law of April 8, 1916, placed the currency on a gold basis, Turkey is now almost completely on a paper basis. The currency is greatly depreciated. Information from German sources had, early in 1917, placed the discount on paper money between 50 and 75 per cent in Constantinople and between 75 and 80 per cent in Bagdad and Syria.<sup>1</sup> It is also reported that the Cabinet has recently decided on the decimal system of coinage and metric system of weights and measures.<sup>2</sup>

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<sup>1</sup> Article by Dr. C. A. Schaefer in *Archiv für Wirtschaftsforschung in Orient*, April, 1917.

<sup>2</sup> *London Economist*, September 7, 1918, p. 300.